

LAFCO

Santa Barbara Local Agency Formation Commission
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April 4, 2002 (Agenda)

Local Agency Formation Commission
105 East Anapamu Street, Room 403
Santa Barbara CA 93101

Proposed LAFCO Budget for FY 2002-2003

RECOMMENDATION

It is recommended that the Commission:

1. Receive this revised and updated staff report, accept any public testimony and approve the Proposed Budget for Fiscal Year 2002-03 as presented.
2. Direct the staff to distribute the Proposed Budget to the County, cities and independent special districts as required by Government Code Section 56381.
3. Schedule a public hearing to consider and adopt the Final Budget on Thursday, May 2.
4. Direct the staff to advise the Commission of any changed conditions that could adversely affect LAFCO's ability to fulfill its responsibilities in the coming fiscal year.

DISCUSSION

Introduction

On March 7 the Commission received a staff report and recommendation regarding the budget for Fiscal Year 2002-03.

The Commission continued the matter to this meeting. In addition, the Chair appointed an ad hoc budget committee of Commissioners Campbell, Rogers and Umenhofer to review the financial program prior to the April 4 meeting.

It has not been possible to convene a meeting of the ad hoc budget committee, however, the staff has discussed the proposed budget with the members individually and is presenting a modified Proposed Budget for next year, with the recommendation that it be adopted and distributed for review and comment.

Although a Proposed Budget had not been approved by the Commission, I was invited to discuss the LAFCO budget for the coming year at the March 25 Special District's Association chapter meeting. County Auditor Bob Geis also attended the meeting to discuss options for allocating the special districts' shares of the budget to individual districts.

Following the meeting, the Special Districts Association formed a LAFCO budget committee, chaired by Jim Raggio of the Lompoc Health Care District. As noted in the enclosed e-mail from Mr. Raggio the committee may present an alternative budget to the Commission on April 4.

Staff Modifications to Proposed Budget for FY 2002-03

The staff, based on discussions with Commissioners and the Special Districts Association, is presenting herein a modified Proposed Budget for the coming fiscal year.

The major changes from the March 7 version are (1) reduced funding in specific line items based on this year's experience, (2) a reduction of \$50,000 the account for Professional & Specialized Services and (3) an increase the contingency to \$40,000 from the current \$20,000.

Following is a *summary* of the revised Proposed Budget; a detailed table of line-items is attached.

LAFCO Proposed Budget - Summary for 2002-2003

	<u>Adjusted</u> <u>2001-02</u>	<u>Proposed</u> <u>2002-03</u>	<u>Variance</u>
Services & Supplies	426,650	370,250	- 56,400
Other Charges	850	850	0
Designations	<u>20,000</u>	<u>20,000</u>	<u>0</u>
Total Expenditures	447,500	391,100	- 56,400
Proj. Avail. Fund Balance	0	100,000	100,000
Other Revenues	22,500	29,500	7,000
Cost to local agencies	<u>425,000</u>	<u>261,600</u>	<u>- 163,400</u>
Total Financing Sources	447,500	391,100	- 56,400

This is a transition year for the Commission. Certain expenses that were not reflected in prior year budgets are now included.

In addition, though they were included in the current year budget, some funds to comply with AB 2838 directives, such as beginning to prepare municipal service reviews were not spent this year due to the delay in receiving service review guidelines from OPR. These obligations still exist and the Commission needs to have sufficient funds to continue this effort for the remainder of this year and next year.

Discussion of Individual Accounts

Following is a review of each of the expenditure and revenue accounts in the budget. It reflects the attached table showing (a) the current budget, (b) year-to-date experience in each account, (c) end-of-year projections and (d) the modified Proposed Budget for next year

Following are descriptions and explanations of each account.

	<u>Current Budget</u>	<u>Proposed Budget</u>	<u>Variance</u>
<u>7050 Communications</u>	1,900	1,900	0
Telephone and fax expenses. Account expenditures as of March 27 are \$1,644.			
<u>7324 Audit Fees</u>	2,000	2,000	0
Year-end audit of LAFCO fund. No expenditures as of March 27; cost will be experienced next fiscal year.			
<u>7430 Memberships</u>	1,350	1,350	0
Membership in the California Association of LAFCOs. No expenditures as of March 27. The annual payment to CALAFCO will be made in June.			
<u>7450 Office Expense</u>	21,000	21,000	0
Office expense includes equipment and supplies to support Commission activities. Costs as of March 27 are \$6,232. Greater expenses are anticipated next year than this to prepare updated spheres of influence, municipal service reviews and update the Commission's policies. Also, it is proposed that copier expenses be paid for from this account next year.			

<u>7451 Postage</u>	5,000	5,000	0
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Postage and mailing expenses. The account reflects the workload.

Expenditures as of February 25 are \$8,001, which exceeds the budgeted amount by \$3,001 (or 60%). This year may be unusual year given the high costs to mail notices for the conducting authority hearing for the Vector Control District Annexation. We recommend the account remain at \$5,000 for next year.

<u>7453 Copier Expense</u>	4,000	0	- 4,000
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This account funds correspondence, notices, reports, resolutions and other printing. The costs as of March 27 are \$786. Next year these costs will be charged to Office Expense.

<u>7460 Professional/ Specialized Services</u>	156,000	106,000	-50,000
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This account is available to fund special studies, and the costs to televise LAFCO meetings. Expenditures as of March 27 are \$8,889.

The account is intended to accommodate research and analysis directed by the Commission to, for example, update spheres of influence, prepare municipal service reviews and prepare specialized studies of intergovernmental and/or reorganization issues.

Not much of this account has been expended thus far this year, due in part to a delay by the State is issuing guidelines to prepare municipal service reviews. The staff recommends that this account be reduced by \$50,000 as a more conservative estimate of the level of expense that might be experienced in the coming year.

<u>7506 Administration Fees</u>	3,000	3,000	0
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This account funds County Auditor charges. Expenditures as of March 27 are \$1,500.

<u>7508 Legal Services</u>	42,100	42,100	0
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This account funds Commission legal services. No expense is shown as of March 27, however the County Counsel has submitted a mid-year invoice for \$9,967.

The County Counsel estimated a cost of \$36,000 this year and the Commission augmented that amount by another \$6,100 to ensure the account is adequate to respond to legal issues that might arise and require attention or response.

<u>7510 Contractual Services (staff)</u>	145,300	145,300	0
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Staff support to the Commission is provided by a professional services agreement, through which LAFCO obtains provides Executive Officer, Commission Clerk and related staff services.

No change is proposed. Any changes will result from performance reviews and negotiations between the Commission and the Executive Officer.

<u>7580 Rents/Leases – Structure</u>	6,000	3,600	-2,400
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This account funds office space, including utilities. No expenditures have been charged as of March 27 but we understand they will be as part of a County cost allocation plan.

The office in a County building in Santa Barbara is adequate for the Commission’s current needs. Consideration is being given to moving the office to another location in the same building, which would also be adequate for our purposes.

Actual space costs are less than that budgeted amount. If the Commission needs to relocate to private space, however, the costs would be much higher. The staff recommends that this account be reduced and the contingency be increased to insure the Commission’s space needs can be met if the office is relocated.

Space for Commission meetings is not budgeted. We assume LAFCO will continue to meet in Board of Supervisors hearing rooms, except for special meetings held in other locations.

<u>7650 Spec. Dept. Exp. – Per Diems</u>	18,000	18,000	0
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This account funds Commissioner stipends for attending LAFCO meetings. As of March 27 \$6,300 has been expended. The budget is based on 11 Commissioners x 14 meetings x \$100 per meeting (\$15,400) and funds for hoc committee meetings (estimated at 26 days, or \$2,600).

<u>7730 Transportation & Travel</u>	21,000	21,000	0
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This account funds travel expenses and mileage reimbursement for Commissioners and staff. Expenditures as of March 27 are \$13,807.

The amount is based on experience and projections of future activity. Two members of the Commission are on the governing board of the California Association of LAFCOs, which involves travel to participate in CALAFCO leadership activities.

Less might be needed next year since the CALAFCO conference will be in Santa Barbara but the staff recommends that the budgeted amount be unchanged to avoid variations from one year to the next.

<u>7895 Liability Insurance</u>	600	600	0
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Liability insurance of the Commissioners and staff. There has been no expense as of March 27. The amount is provided by the County General Services Agency since the Commission remains covered by the County's insurance program.

<u>7897 Telephone Services</u>	250	250	0
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This account funds County telephones in the LAFCO office. There has been no expense as of March 27. We anticipate a year end statement from the County.

<u>9798 Designation for Contingencies</u>	20,000	20,000	0
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It is proposed that this account again be funded at \$20,000, which will result in a overall contingency of \$40,000. This is consistent with the size of the budget and recognizes the reductions that are being made in various accounts. The contingency is held as a segregated portion of the fund balance available for unforeseen expenses.

<u>3380 Interest Income</u>	0	8,000	8,000
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Interest from investing available LAFCO funds. Revenue as of March 27 is \$6,142.

<u>5738 Planning Studies Services</u>	20,000	20,000	0
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These revenues are received from LAFCO processing fees. As of March 27 revenues are \$9,160. Projections are based on 18 boundary changes at an average of \$600 (\$16,200), two sphere of influence applications (\$1,650) and a formation or incorporation (\$2,125).

<u>4840 Other Governmental Agencies</u>	425,000	261,600	- 163,400
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This is the revenue from the County, cities and special districts to fund the Commission as required by AB 2838. As the March 27 390,079 has been received.

Budget reductions and available funds will reduce the amount needed from local agencies by about \$163,400 (or 38%) We will further refine these figures for the Final Budget

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<u>5909 Other Miscellaneous Revenue</u>	2,500	1,500	- 1,000
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These are revenues estimated from the sale of documents, maps etc. The amount projected for this year is overly optimistic and has been reduced by \$1,000.

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Conclusion

In consideration of information contained in this letter, it is recommended the Proposed Budget be approved and distributed as required by Government Code Section 56381.

LAFCO is an independent commission established by the legislature to carry out specific duties and objectives. It is responsible for adopting a financial program to fulfill the purposes described in the Cortese/Knox/Hertzberg Act. The statute directing LAFCO's operations does not require approval of the financial program by the County or any other local agencies.

While we are recommending a specific financial program, we urge that flexibility be retained by the Commission to make adjustments in the Final Budget should this prove warranted.

Very truly yours,

BOB BRAITMAN
Executive Officer